UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/MCD/1
3 July 1997

ORIGINAL: ENGLISH

Third regular session 1997
15-19 September 1997, New York
Item 6 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA (1997-1999)

CONTENTS

	Paragraphs	Page
INTRODUCTION	1	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	2 - 11	2
II. RESULTS AND LESSONS OF PAST COOPERATION	12 - 16	4
III. PROPOSED STRATEGY AND THEMATIC AREAS	17 - 27	4
A. Social transfers	18 - 20	5
B. Education	21 - 22	5
C. Private sector development	23 - 25	6
D. Environmental management	26 - 27	6
IV. MANAGEMENT ARRANGEMENTS	28 - 32	7
Annex. Resource mobilization target table for the Former Yugoslav Republic of Macedonia (1997-1999)		8

97-18615 (E) 080897

INTRODUCTION

1. The first country cooperation framework (CCF) for the Former Yugoslav Republic of Macedonia outlines the agreed strategy and areas of focus for the use of UNDP-managed resources for the period 1997-1999. It was prepared following a broad consultative process with all relevant local and international partners including the Ministry of Development, other government ministries, public institutions, United Nations organizations and programmes, multi and bilateral donor agencies and non-governmental organizations.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. After having been part of the Federal Republic of Yugoslavia for 45 years, the Former Yugoslav Republic of Macedonia held multi-party elections in November 1990 and became a sovereign independent State on 8 September 1991, joining the United Nations as the 181st Member State in April 1993. From the outset, it had to face the formidable challenges of adjusting to independent statehood and making the difficult transition to democratic pluralism and a market economy. The Government is in the process of putting in place the legislative and regulatory framework to provide a solid basis for the new social and economic order. The legislation adopted includes laws on local administration, private sector, labour relations, foreign investment, customs and financial institutions, etc. The Government is also in the process of establishing a structural adjustment programme together with the World Bank and the International Monetary Fund (IMF), focusing among other things on reforms of the enterprise sector.

Poverty and sustainable livelihoods

3. As in the case of other countries in the region, the economic and political transition of the Former Yugoslav Republic of Macedonia entails significant social costs in terms of declining real wages, increased unemployment and erosion of living standards. In addition, it has had to contend with instability as well as economic and social dislocations resulting from its former status as the poorest republic of the former Yugoslavia, instability in the region, sanctions against Serbia and Montenegro and an economic embargo.

4. Per capita income has dropped from US$ 2,828 in 1991 to US$ 820 in 1994, and the rate of unemployment has been rising steadily since 1990 to 30 per cent. Employment in the State-owned and mixed enterprises fell from 507,000 in 1990 to 396,000 in 1994. Conversely, although the private sector is not growing fast enough to absorb redundant workers coming from these enterprises, private-sector jobs have increased from 60,000 to 100,000 over the same period.

5. In 1990 a head count placed 35 per cent of the population in poverty. There is, however, a need to update poverty assessments and indicators. The Government has put in place a variety of social assistance programmes targeted to specific groups such as the elderly, the disabled and the unemployed. The fastest-growing social transfer programme is the Programme for the Protection of

the Socially Endangered Population, introduced in 1992 and financed from the national budget.

Education

6. The country's economic crisis is leading to spending cuts in the education sector at a time when more resources should be earmarked for education to enable the former Yugoslav Republic of Macedonia to respond to the challenges related to establishing an emerging market economy. Under the changing conditions in the country there is potential for inequalities appearing between communities and regions. To mitigate large discrepancies, some reform measures have been taken in recent years. Others will have to follow in order to assure that the education system responds adequately to the country's new requirements.

Gender issues

7. Women constitute 47.3 per cent of the population of 1,937,000 inhabitants. According to the 1994 census women make up 37 per cent of the labour force, a percentage that has not changed significantly during the significant downsizing which occurred between 1990 and 1994. While women are represented in practically all spheres of the economy, 69.6 per cent of them work in the health and social sectors. Illiteracy (overall 5.8 per cent) is higher among women (8.8 per cent) than among men (2.9 per cent), and concerns mainly women aged 55 and over.

8. In the 1994 election only 3 women obtained seats in Parliament out of a total of 120, and there is only one woman in the Council of Ministers. Women are well represented in the public administration, but mainly at the middle and lower levels.

The environment

9. Environmental protection and management are among the pressing problems that the Former Yugoslav Republic of Macedonia has to address. The main issues concern air pollution, water management, toxic waste disposal, maintaining biodiversity and protection and management of forests. Air pollution caused by heavy industries and power plants constitutes a serious human health hazard, particularly in the cities. Periodic droughts and worsening water pollution caused by untreated or undertreated industrial effluent and human sewage are also dangerous to the general population and the environment.

10. The implementation of environmental legislation and policies inherited from the former Yugoslavia has suffered from lack of funding. Administrative responsibility rests with the Ministry of Urbanism, Construction and Environmental Protection and various other ministries. New legislation is being prepared, and a phased approach is being developed to adopt environmental standards compatible with those of the European Union.

11. A National Environmental Action Plan has recently been formulated, aimed at integrating environmental policy and regulations into the decision-making process along with economic transformation, so that the environment becomes an integral part of the country's overall strategy for development.

II. RESULTS AND LESSONS OF PAST COOPERATION

Patterns of external development assistance

12. The overall pattern of external assistance provided by multilateral and bilateral donors such as the World Bank, the European Union's Phare Programme, the German Agency for Technical Cooperation (GTZ), the United States Agency for International Development (USAID), the British Know-How Fund and several non-governmental organizations (NGOs) concentrates on economic stabilization and deregulation, private and financial sectors, agriculture and some institution-building activities.

The role of the United Nations system

13. Since March 1995 the United Nations has played a major role in fostering political stability in the region and the country through the deployment of the United Nations Preventive Deployment Force.

The role of UNDP

14. As a republic of the former Yugoslavia, Macedonia was allocated IPF funds out of the UNDP country programme. Over the 20 years before its independence, it received over US$ 2 million for projects in the fields of mining, seismology and earthquake engineering, medicine, water protection, geothermal and solar energy, etc.

15. At its fortieth session, in June 1993, the UNDP Governing Council granted the Former Yugoslav Republic of Macedonia recipient status.

Lessons learned

16. UNDP's fifth cycle coincided with the break-up of Yugoslavia and the independence of the former Yugoslav Republic of Macedonia. Given the disruption caused by these events, activities started relatively late in the cycle and concentrated on a few projects in various sectors. The Government's unfamiliarity with UNDP themes and procedures combined with the lack of a permanent local UNDP presence has affected the smooth delivery of the UNDP programme. In addition, UNDP was only recently able to initiate a comprehensive dialogue with the Government which resulted in the strategy and thematic areas outlined below. The establishment of a UNDP Liaison Office and of the UNDP Regional Support Centre in Bratislava will facilitate overall communications with the Former Yugoslav Republic of Macedonia, as well as the formulation and management of UNDP-supported activities during the sixth cycle.

III. PROPOSED STRATEGY AND THEMATIC AREAS

17. UNDP's cooperation will support and help facilitate the transition to political pluralism and a more equitable market led economy. To achieve these goals UNDP will concentrate its assistance on four Government priority areas which are compatible with UNDP's comparative advantages, and are in line with

the sustainable human development objectives of reducing poverty and creating sustainable livelihoods. These include:

(a) Supporting the formulation and implementation of social transfer policies;

(b) Supporting the formulation and implementation of an education sector strategy and activities, in cooperation with other donors;

(c) Supporting targeted private-sector development activities at the local level and complementing economic management activities undertaken by other donors and the Government;

(d) Supporting the environment sector through the formulation and implementation of a national Agenda 21.

A. Social transfers

18. The Government has demonstrated its commitment to mitigating the social costs of economic reforms by establishing an extensive social safety net. However, it recognizes the need to make the social transfer system more efficient and financially sustainable. Accordingly, it is proposed that UNDP assist the Government in formulating and implementing a more cost-effective social "safety net" for the elderly, the unemployed and other vulnerable segments of society. In addition, UNDP will support the strengthening of the national capacity to update and monitor social and poverty indicators. UNDP's experience in poverty alleviation and its neutrality gives it a comparative advantage in this area. UNDP will cooperate closely with donors working on other aspects of this area of intervention such as the World Bank, the European Union's Phare Programme, other organizations of the United Nations system, USAID and GTZ.

19. In this context, it is proposed that UNDP further elaborate on the social dimensions of the national development strategy it is helping to formulate. UNDP's support would focus on human resources strategy and the promotion of equitable development. The formulation of specific activities in this area of intervention to be funded by UNDP would be carried out in close collaboration with the regional poverty project and expertise of the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC).

20. Success indicators for this area of concentration include: (a) the elaboration and establishment of a sustainable social safety net; and (b) the capacity to elaborate and maintain world standard social indicators.

B. Education

21. It is proposed that UNDP support activities in the education sector that complement those funded by the World Bank, the European Union and other donors. These include: (a) the development of a long-term strategy to help define priorities and reforms necessary for the establishment of an education system

that will prepare the former Yugoslav Republic of Macedonia for the challenges of democratic pluralism and competition from the market-driven global economy; (b) a review of the primary and secondary education systems in order to ensure the optimal use of public resources, staff and infrastructure necessary for the establishment of an education system more relevant to present day social and economic needs and multilingual reality of the Former Yugoslav Republic of Macedonia. Any UNDP-funded activity will take into account what the Government has already achieved through its national project for innovation and reconstruction of the education system, which has already undertaken some reform measures in the sector.

22. Success indicators for this area of concentration include the formulation of practical and implementable strategies for primary, secondary and university education systems that will prepare the Former Yugoslav Republic of Macedonia for the social and economic challenges of the future.

C. Private sector development

23. The development of the private sector, and in particular of small- and medium-sized enterprises, is essential in order to reduce unemployment and poverty, generate income and help revitalize the economy. However, men and women aspiring to start a business require a favourable policy and an enabling environment, the necessary skills and experience, and access to finance. Several donors such as the European Union Phare Programme, GTZ, Germany, USAID, the British Know-How Fund and several NGOs are already providing technical and capital assistance, including credit lines for enterprise creation, and are supporting the formulation of legislation to encourage the creation of small- and medium-sized enterprises. Thus, UNDP in close cooperation and possible collaboration with other donors will focus its support to economic management activities, as well as training and advisory services for entrepreneurs particularly in poorer areas of the country.

24. Special attention will be given to women entrepreneurs and to the creation and support of small enterprises, a priority of the Government. The formulation of specific UNDP-funded activities in this sector will be carried out in close collaboration with the RBEC regional project on small- and medium-sized enterprises.

25. Success indicators for this area of concentration include: (a) the establishment of ultimately self-sustaining and relevant training and advisory services for the creation and support of small- and medium-sized enterprises.

D. Environmental management

26. In order to assist the former Yugoslav Republic of Macedonia in the follow-up of major environmental conventions, it is proposed that UNDP support the development of a national investment strategy for the environment sector as well as the formulation and implementation of a national Agenda 21. Cooperation with the NGO community will be sought for activities at the local level.

27. Success indicators for this area of concentration include: (a) the elaboration and implementation of a national investment strategy for the environment sector; (b) the elaboration and implementation of a national Agenda 21.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation arrangements

28. National execution to the extent possible will be the modality for executing UNDP-supported projects in Macedonia. Services of United Nations specialized agencies will be sought as required. Appropriate training will be given to national project managers and finance officers on accounting and reporting to ensure that accounting and auditing requirements are met. To facilitate project management and ensure maximum impact, UNDP-supported activities will be formulated into a small number of projects.

29. Implementation modalities such as the United Nations Volunteers Programme, Transfer of Knowledge through Expatriate Nationals, United Nations International Short-term Advisory Resources and technical cooperation among developing countries will be used as appropriate, and subject to availability of funding.

Programme monitoring and review

30. A triennial report will be prepared to enable the UNDP Programme Management Oversight Committee to assess ongoing activities and, if required, make recommendations on programmatic adjustments. Projects will be subject to usual UNDP monitoring, evaluation and auditing procedures, including progress and technical reports, meetings and visits.

Management support

31. The RBEC Regional Service Centre in Bratislava will, as required, provide support to project formulation and monitoring, financial management and accounting. Relevant training will be given to national project personnel to ensure that UNDP project accounting and reporting requirements are met.

Resource mobilization

32. The target for total UNDP core resources has been set at US$ 2,393,000. The establishment of a UNDP presence in the Former Yugoslav Republic of Macedonia will ensure systematic resource mobilization activities with the donor community, the Government, NGOs and the private sector.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA (1997-1999)

(In thousands of United States dollars)

SOURCE	AMOUNT	COMMENTS
UNDP CORE FUNDS		
Estimated IPF carry-over	751	Includes independence bonus.
TRAC 1.1.1	149	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	1 388	In line with decision 95/23, paragraph 19.
SPPD/STS	105	
Subtotal	2 393[a]	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	-	
Third-party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	-	
GRAND TOTAL	2 393[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.